Office of the United States Attorney
District of Arizona

PRESS RELEASE

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BROKER & WIFE SENTENCED FOR SBA LOAN SCAM

PHOENIX, ARIZONA -- The United States Attorney's Office for the District of Arizona announced that on April 12, 2002, Michael A. Canfield, 56, of Mesa, Arizona, was sentenced to 70 months in prison and a fine of $25,000, by United States District Judge Earl H. Carroll, in Phoenix, Arizona. Emily Canfield, his wife, 47, was sentence to 36 months of probation, to include 18 months of community service. The court will enter an order next week on restitution, which could reach over $4.5 million.

Michael Canfield had entered a plea of guilty to laundering funds obtained through fraudulent loans guaranteed by the US Small Business Administration, in violation of Title 18 of the United States Code, Section 1956(a)(1)(A)(i). Emily Canfield had entered a plea of guilty to making a false statement to the lender the guaranteed loans, in violation of Title 18, United States Code, Section 1001.

Canfield was a broker for the sale of small businesses. He designed a scheme that defrauded the SBA and AT&T-Small Business Lending Corp. ("AT&T"), the lender whose loans were guaranteed by the SBA, into making loans to clients who were not qualified. Canfield advertised to owners of small businesses that they could sell them for "all cash," which meant that the owner did not have to finance the sale by extending a note. He also advertised to would-be buyers who lacked the funds for a down payment, which lenders typically require, that he could arrange for the purchase with no money down. To fool AT&T into

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lending 100% of the actual selling price, Canfield inflated the selling price, which caused the lender to supply enough of a loan to fund the down payment at the true price and even pay for Canfield's commission. Since the buyer still needed to have enough funds on paper to satisfy AT&T and the SBA that he had the down payment, the Canfields falsified financial statements by overstating the applicant's wealth. Next, to come up at closing with what would appear to be a down payment, Canfield enlisted wealthy investors to temporarily put up the funds. Canfield guaranteed these investors that they would get their money back, plus a profit of about 5%. They were repaid out of the excess supplied by the lender at the inflated sales price.

In the process, Canfield and his wife made $228,000 in commissions.

Because the buyers brought in no money of their own to operate their businesses, not enough cash flow was generated to repay the loans and operate the businesses. Most of the businesses failed. The total loss in principal is $3.3 million. The buyers are liable for the loans, but in most cases they are unable to repay them. The losses will be born by the SBA and AT&T's successor, CIT Corp.

The investigation in this case was conducted by Special Agents of the Federal Bureau of Investigation and the Inspector General of the SBA.

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